

Message Text

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PAGE 01 MANILA 06204 260028Z

ACTION EB-08

INFO OCT-01 EA-07 ISO-00 COME-00 TRSE-00 ITC-01 STR-04

OMB-01 CIAE-00 INR-07 NSAE-00 PA-01 USIA-06

PRS-01 SP-02 L-03 AID-05 NSC-05 SS-15 CEA-01

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 8898

INFO AMEMBASSY TOKYO

LIMITED OFFICIAL USE MANILA 6204

E.O. 11652: NA

TAGS: EPAP, RP

SUBJECT: TARIFF ON TIRES REDUCED FROM 50 TO 30 PERCENT

REF: 76 MANILA 18593, MANILA 797 AND 4565

1. ACCORDING TO PRESS REPORTS TIMED WITH THE ANNOUNCEMENTS ON GASOLINE PRICE INCREASES, THE PRESIDENT HAS ISSUED EXECUTIVE ORDER NO. 484 REDUCING THE TARIFF ON IMPORTED TRUCK AND AUTOMOBILE TIRES FROM 50 TO 30 PERCENT TO BE EFFECTIVE MAY 21. THE MOVE WAS HAILED AS PROVIDING CHEAPER AND BETTER QUALITY TIRES, AND ALSO TO MEET THE CURRENT SHORT SUPPLY OF LOCAL TIRES. THE ANNOUNCEMENT ALSO COINCIDED WITH PRESIDENT MARCOS' TRIP TO JAPAN WHICH BEGAN ON APRIL 25 AND COULD ALSO BE INTERPRETED AS AN OVERTURE FOR JAPANESE EXPORTS OF TIRES OR INVESTMENTS.

2. KNOWLEDGEABLE OBSERVERS WOULD PERCEIVE THAT THE GOP MOVE WAS REALLY AIMED AT SOFTENING UP GOODYEAR (AND THE OTHER TWO AMERICAN TIRE MANUFACTURERS) FOR A TAKEOVER BY RONNIE VELASCO OF PNOC. THE MOVE, BY ITSELF, IS MEANINGLESS, FOR ACTUAL IMPORTS ARE GOVERNED BY CENTRAL BANK DOLLAR ALLOCA-
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PAGE 02 MANILA 06204 260028Z

TIONS. THE LATEST ALLOCATIN FOR TIRE IMPORTS AMOUNTS TO \$1 MILLION FOR NEW AND \$500,000 FOR USED TIRES FOR THE FIRST HALF OF 1977. THIS LEVEL OF IMPORTS,ACCORDING TO ONE U.S. COMPANY, WOULD NOT "CRIPPLE" OR "HURT TOO BADLY" THE LOCAL TIRE INDUSTRY. AS A MATTER OF FACT, IMPORTS OF TIRES WENT DOWN SIGNIFICANTLY IN JANUARY AND FEBRUARY, BUT DID PICK UP IN MARCH (TO

6,000 UNITS FROM 7,000 DURING THE FIRST TWO MONTHS).

3. PNOC HAS A MONOPOLY OF GOVERNMENT BUSINESS WHICH HAS ALREADY BEEN LOST TO THE U.S. TIRE MANUFACTURERS. IN ADDITION, PNOC SELLS THE IMPORTED TIRES TO PRIVATE PURCHASERS AT THE SAME PRICES AS LOCAL TIRES, WHICH MEANS THAT IT IS MAKING ENORMOUS PROFITS AND BELIES THE CLAIM OF PROVIDING CHEAPER TIRES TO THE PUBLIC. INTERESTINGLY, COLUMNIST JESUS BIGORNIA IN BULLETIN TODAY APRIL 25 CRITICIZED THE PNOC MONOPOLY OF GOP BUSINESS, QUOTING CERTAIN CITY HALL OFFICIALS ABOUT PNOC SHARP DEALINGS.

4. THERE HAVE BEEN NO FURTHER NEGOTIATIONS BETWEEN GOODYEAR AND PNOC SINCE LAST SUMMER'S DEADLOCK. HAL PALMER OF GOODYEAR COMMENTS THAT HIS HOME OFFICE WILL NOT CHANGE ITS MIND ABOUT NOT RPT NOT GIVING UP CONTROL OF ITS PHILIPPINE OPERATION. HE IS RECOMMENDING THAT GOODYEAR CONSIDER A DUMPING OF COUNTERVAILING ACTION AGAINST THE IMPORTS BUT DOESN'T KNOW WHAT THE HOME OFFICE REACTION WOULD BE LIKE. GOODRICH & FIRESTONE ARE KEEPING A LOW PROFILE IN THIS CONTEST OF WILL BETWEEN GOODYEAR AND PNOC'S DESIRE TO OWN A TIRE PLANT. SULLIVAN

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